



2023 Budget Message

Mayor Matt Miller

Introduction

Honorable City Council and Members of our Community:

In accordance with RCW 35A.33.050, I am proud to present the City's 2023 proposed annual budget. City leadership has worked thoughtfully and cooperatively to create a budget reflecting community and Council priorities and values. The City will continue to provide efficient, quality services while being conscientious of our financial position.

In addition to this message, budget documents will include a Property Tax Resolution, Finance Director's message, revenue sources, budget policies, expenditures by fund, debt, reserves, a report of actuals for 2019 through 2022 and staffing organization and salaries.

This \$129.4 million dollar budget is \$20.8 million over last year's budget.

- \$12.5 million for the deconstruction and cleanup of our decommissioned Water Treatment Plant as required by the Department of Ecology funded by Water Fund capital reserves
- \$5 million for R Avenue improvements funded with a federal grant
- \$2.1 million in negotiated salaries and benefits (a 7.6% increase in total)
- \$1.2 in increased general services:
 - \$600K increase in street overlays
 - \$300K increase in overall insurance
 - \$300K increase in utilities costs

Looking forward, we continue our commitment to balanced fiscal responsibility with our shared priorities of enhancing public safety, smart growth, a focus on infrastructure, fiscal accountability, and quality of life:

- **Enhancing public safety** by strengthening the capability of police and fire departments with additional code enforcement and creative crisis response

- **Smart growth** with a clear vision that supports a variety of housing options, enhances access to waterfront, supports downtown businesses, and protects our natural resources while we monitor impacts of recent code changes with respect to density and affordability
- **Focus on Infrastructure** by fixing our streets using innovative paving strategies and completing our exceptional fiber project that remains on a positive trajectory
- **Fiscal accountability** that prioritizes must haves versus nice to haves, taxing only what we need, with a commitment to transparency in how we spend your tax dollars
- **Quality of Life** by continuing to offer extraordinary services through our library, museum, senior activity center, parks, forestlands, arts, and recreation programs – services that bring our community together and support healthy, vibrant citizens

Public Safety

Anacortes Police Department

The Anacortes Police Department is committed to taking a proactive approach to safety and enforcement. In 2022, the Police Department’s funding focused on technology, training, and social services. We acquired body cameras and increased our data storage capabilities to comply with related legislation. Our staff received Patrol Tactics training, De-escalation training and officer wellness training. We continued to fund a social services coordinator and developed outreach partnerships to connect people with needed services.

In 2023, we hope to increase our presence by adding a half-time parking and code enforcement officer to effectively address parking issues, transient RVs, and code violations. We will expand our police camera program to “force-multiply” the eyes of our patrol officers to public areas with deployable cameras. We will redouble our recruiting efforts to hire staff for vacancies, deploying skilled and well-trained officers to ensure the safety and security of our citizens without any reduction of the already high standards of our Police Department.

Anacortes Fire Department

2022 has been a productive year at the Anacortes Fire Department and 2023 will bring significant additional capabilities. We anticipate delivery of our new ladder truck in late 2023. The current ladder truck is 25 years old and is beyond the recommended replacement schedule. We are taking advantage of the LOCAL program through the State Treasurer’s Office, which gives us a 10-year fixed rate loan that has a comparatively low interest rate. We obtained a small rescue boat for water rescues and fire response, and we will expand its deployment in 2023.

We restructured our leadership team with the addition of two new Assistant Chiefs, creating shift-supervising Captain positions, and promoting two Lieutenants. Following several retirements and staff transitions, the fire department welcomed nine new employees to the department in 2022. We are continuing our ongoing partnership with Island Health to offset 50% of the cost of our highly successful Community Paramedic Program.

We continue to pursue innovative strategies to enhance our firefighting responses, including pursuing federal SAFER grants for additional career staff, “Red Card” wildland fire training for Parks staff as well as volunteer/part-time support. We are also working to expand the department’s health and wellness focus.

The 2023 budget includes funding to work with our Operations Division to build out a brush engine this spring for both local and state wildland fire deployments. In addition, we continue to evaluate an appropriate location that honors the history of the City’s 1924 American LaFrance Fire Engine.

The City looks forward to the results of a Station Number Three feasibility study currently underway which will help guide how this project moves forward.

Infrastructure

Access Anacortes Fiber Internet

The 2023 budget reflects a continued significant investment in the City’s fiber optic network expansion, which provides high speed internet options for Anacortes businesses and residents. The City Council, with substantial community support, made a commitment in 2019 to this extensive multi-year project. With over 1600 business and residential customers already in service and another 1500 orders in queue, the network is generating over \$1.2M annually. In 2023, the network is expanding to pass an additional 2700 premises in the city. Consistent with our fiber business plan, in 2022 revenues are exceeding the cost of operating the network. The cost of building the network will continue in 2023, and while we are currently cash flowing that construction the City is exploring both debt service options and grant funding opportunities to pay for this community infrastructure investment.

The City has secured a \$2.25M grant from the Economic Development Administration and has applied for a \$563k grant from the WA State Broadband Office to partially fund expansion of the network east of A Avenue, backfilling gaps in our current service area and passing 1,815 premises. These federal funds come with complex conditions to meet the granting agency’s requirements. The timing of the construction project is dependent upon satisfying these requirements.

The area between Anacopper Mine Road and A Avenue construction will begin in the fall of 2022 and continue into 2023, passing an additional 875 homes and businesses. This is projected to cost \$2.58M. The City secured a \$500k grant from Skagit County to offset the cost of the project.

Anacortes is the first city in the State of Washington to operate as an internet service provider. I am excited to see the network expand to pass every home and business within the City of Anacortes. I truly believe that this is an important investment in our community's future.

Public Works

Public Works is the City's largest department and is responsible for managing critical services including streets, engineering, water, sewer, stormwater, facilities, solid waste, and the purchase and maintenance of our vehicular fleet. Our dedicated staff works tirelessly to ensure that these critical City services continue without interruption.

In the new year, we will continue to focus on providing exceptional service, efficient and effective operations, and maintaining the integrity of our infrastructure. Our commitment to service includes development of personnel through training opportunities and supporting a positive and productive workplace where employees can thrive.

As Anacortes continues to see new growth, we will creatively adapt to the impact of traffic, utilities-based infrastructure, and other critical services. We will work with other departments and all stakeholders to implement appropriate models and strategies to address the effects of our growing community.

We are proud of the many projects we accomplished in 2022 including welcoming a new Public Works Director and navigating supply-chain challenges. The 32nd and M Avenue roundabout provided critical safety improvements and was funded almost entirely through grants. We undertook a watermain replacement project, overlay work in several neighborhoods and replaced 600 feet of sidewalk. The exterior of the Senior Activity Center was painted, and we added six (6) electric charging stations at City Hall and the Library. We updated our Stormwater Pollution Plan and added Fiber Optics into our utility network through GIS/Asset.

The Wastewater Treatment Plant saw many upgrades to meet the demands of an ever-increasing regulatory environment and a mature facility. Improvements were made to the sewage sludge incinerator maintaining air emissions compliance and long-term reduction in nutrient discharge. There were repairs, rebuilding, and replacement of pumps to maintain 100% reliability and performance.

In 2023, the Wastewater Treatment Plant will replace clarifier drives and aeration mixers after three decades of service. The basin will be rehabilitated, and we will welcome a new Plant

Manager after the retirement of Becky Fox who will retire after thirty-one (31) years of dedicated leadership and service to the City.

Our Water Treatment Plant serves not only Anacortes but over 56,000 total customers throughout Skagit and Island Counties. We added filter media to ensure plant capacity re-rating by the Department of Health and installed fiber in-pipe and aerial fiber installation to Oak Harbor. We launched a leak detection program ensuring the continual integrity of our system.

In 2023, the Water Treatment Plant will extend our service area to South Fidalgo. We will implement a new Water System Plant Update, complete cross-connection updates, continue watermain replacements and see the demolition of our former plant site.

We look forward to adding a staff position in 2023 that will serve half-time in our Stormwater Program and half-time providing needed support to inspection and code enforcement. This position will complement our work protecting the Salish Sea and meet our priority of cleaning up blemished properties in our community. This position will be funded through our restricted permit funds and stormwater fees.

Major projects planned for 2023 include R Avenue long-term improvements, such as a roundabout at 30th Street and R Avenue which will be mostly funded through a Freight Mobility Enhancement grant. We will continue the work securing the necessary permits for our Outfall Project construction, continue road paving, sidewalk replacements and will acquire two (2) new garbage trucks. The fire station will receive a necessary elevator modernization and we will complete our Stormwater Management Action Plan. We will be implementing a new app-based system called *See, Click, Fix* which will route and track citizen-requested repairs.

Smart Growth

Planning, Community, and Economic Development

The Planning, Community and Economic Development department is tasked with supporting the community's vision for our future as outlined in the Anacortes Comprehensive Plan. The values defining our work include sustainability, preservation, economic vitality, and providing a supported and connected community.

With those values in mind, we continue our focus on the implementation of our Shoreline Master Program and the work we have begun with the Watershed Company and critical areas updates to include implementation of a newly adopted Riparian Management Zone (streams and buffer) Regulations. Critical areas are identified as environmentally sensitive areas protected through regulations. We have implemented an online map where the public may

access information about their property and/or surrounding areas. The City Planning Department can then provide support, information, and permitting guidance for critical areas. We also continue our efforts to provide seamless service by eliminating what was once an entirely paper-based system to a digital permitting process. We will be implementing *SmartGov* permitting software allowing applicants to track their application online. We are excited to continue finding new and innovative ways to improve efficiencies and best serve our constituents.

In our ongoing support of the maritime industry, we will install Travel Lift pier floats at the city-owned dock. In our Capital Facilities Plan (CFP) we included the creosote pile and treated wood replacement, which meets our lease requirements and supports environmental stewardship goals.

In accordance with the Anacortes Comprehensive Plan, City Council has adopted new development regulations to support housing affordability and diversity policies. Included are new standards for smaller housing types and new affordable housing provisions and incentives. These are living documents that will be updated as needed. These changes aim to increase opportunities for our citizens to secure housing that is safe and relatively affordable.

Municipal Court and Public Defense

The City employs a court administrator, two court clerks and contracts with Skagit County District Court for Judicial Services. The Municipal Court is responsible for processing infractions and citations in violation of city ordinances and state statutes issued by the Anacortes Police Department. The Municipal Court has a duty to set cases for arraignments, hearings, probation revocations, and trial. The Municipal Court also provides a Community Court, which is a non-traditional system that works to address the root cause giving rise to criminal behavior. In 2023, the City will contribute funds toward some of the costs associated with Community Court as we evaluate the effectiveness of this new process.

The City employs a full-time public defender and legal assistant to meet the state-mandated standards for delivery of public defense services. This budget maintains the commitment to continue to serve this community to the highest standards.

Both the Anacortes Municipal Court and the Public Defender's Office continue to manage the impacts of the Washington State Supreme Court decision in *State v. Blake*. The Blake decision invalidated Washington's strict liability making drug possession cases much more difficult to prosecute. As a result, the Municipal Court now hears cases previously heard by the County Superior Court. We are closely monitoring potential change in the state laws moving forward.

City Business

City Attorney

The role of the City Attorney's Office is to provide in-house counsel to City leaders and staff, ensuring the City meets the highest legal standards. The City Attorney's Office saw two retirements in 2022 and we were pleased to welcome two new legal assistants to the team. One focus for 2023 will be on cross training to build redundancy into key City services, including public records requests, prosecution services, and claims management.

The legal department will focus on implementing the City's enterprise content management program in departments that deal with public safety records, including the Anacortes Police Department, Anacortes Municipal Court, and the Prosecuting Attorney's Office. Moving these records to an electronic repository will provide better records retention and management, automation of important processes, and increased transparency.

Human Resources

In January, I will be asking City Council to confirm my appointment of Reilly Wynn as the Human Resources and Labor Relations Director. Ms. Wynn currently serves as the City's Human Resources Manager. The Human Resources department also is staffed with a Human Resources Assistant and continues to receive assistance from the Administrative Services Director.

As the City evaluates the cost of compensation for our employees, we recognize that inflation rarely equates to increased revenue streams. The City seeks to provide a livable and competitive wage to our staff while being mindful that we need to ensure long term financial sustainability.

In 2022 successor collective bargaining agreements were negotiated with the International Association of Firefighters Local 1537 and the Anacortes Police Guild units. Collective bargaining is currently underway for the successor bargaining agreement with the Teamster's Local 231 bargaining agreement.

Information Systems and Technology

The Information Systems and Technology division supports computing and networking requirements playing a vital role in keeping the City's business moving forward. The work of this division is crucial to every department's success and essential to ensure stability and security of city networks. Each year there is an increase in the number of systems the IS/T division is responsible for with new hardware and software requirements.

The division is funded through departmental interfund charges. Each department's funding allocation is based on the number of "nodes" that each department utilizes. Interfund charges support the department's operating costs and equipment replacements costs.

The 2023 budget includes funding to increase network storage capacity to support our data growth and additional Laserfiche license for APD and Municipal Court staff. The division will implement a password manager to secure passwords. Restructuring of network segments will improve security and protect critical data. Funding to replace legacy hardware is also included. IT training and cybersecurity awareness training will continue in 2023. Windows 11 Enterprise will be the primary operating system for endpoint devices.

Quality of Life

Parks and Recreation

The stewardship of the parks and community forest lands is the responsibility of our Parks and Recreation Department. Staff works daily to improve our parks as well as providing year-round opportunities for our citizens to recreate. The 2023 budget continues a commitment to the health and well-being of local residents through the enjoyment of our parks and recreation programs enhancing our quality of life.

We will continue the momentum created in 2022 by offering ten (10) different sport leagues, fifty (50) classes and nine (9) community events in 2023. Our events such as the Egg Dash, Kids-R-Best Fest and Wonderland Walk each attract over five hundred (500) local participants annually.

In the coming year we will make significant improvements to our parks. The design for the new skate park will be completed and construction is set to begin in 2023. Likewise, our new restroom near the playground at Washington Park is on track to be completed in 2023.

Senior Activity Center

Our Senior Activity Center is operating at pre-pandemic levels with nearly 100 visitors a day and a full host of classes and activities. Art, physical fitness, and educational classes are all back at the Center. As the only accredited senior center in the state of Washington we take pride in providing innovative programs such as "Aging Mastery" where participants learn a roadmap for life after retirement.

Museum

Anacortes Museum staff operate three public facilities in our historic downtown: the museum and research library at the Carnegie building, the Maritime Heritage Center, and the National Historic Landmark *W.T. Preston* snag boat. Beyond these structures, Museum outreach extends to stewardship of the Bill Mitchell murals, creation of interpretive signage at significant locations, and digital platforms linked from the Museum website to more than 80,000 archived photographs, historic films, and online access to 110 years of local newspapers.

The Anacortes Museum provides dedicated customer service for residents and visitors while working in collaboration with community organizations with respect for our history. Beyond core needs, the museum partners on fundraising with the Anacortes Museum Foundation to enhance our exhibits, events, publications, and other programs.

Library

I encourage everyone to rediscover the incredible community space that is your Anacortes Public Library and everything it has to offer. The library creates connection and enriches the community with resources and programming available to all.

In 2023 we will see our children's area update come to fruition thanks to a generous donation from Anacortes residents Bob and Sylvia Maxson. The space will be transformed with some new shelving and furniture, an expansion of our early learning play space, and a maker space offering more opportunities for hands-on learning.

The library staff offers hundreds of programs a year for all ages, supporting lifelong learning, early literacy, STEM (science, technology, engineering, and math), and endless opportunities to cultivate curiosity. In 2023 we will continue to adapt our programming to the needs of the community. We will work with our citizens, especially our young adults and teens, to create events and learning opportunities to meet the demand for relevant and needed social and educational programs in a space designed for them.

The 2023 library budget is an investment in the quality of life of the community by supporting a service that empowers a lifetime of discovery for Anacortes residents.

Conclusion

It is my fiscal responsibility to continuously evaluate City revenue and expenditures with a view of maintaining a strong financial position while providing quality municipal services.

While we have weathered the pandemic in a solid position, enabling us to cash-flow our Access Anacortes Fiber project, we predict an uncertain economic climate in 2023. Inflation, recovering supply chains and likely recession has led us to prepare a conservative budget that we will closely monitor until a clearer fiscal picture emerges.

This budget reflects our unwavering commitment to serving each and every resident to the highest standard and protecting the strong fiscal position of the City. We commit to providing our front-line public safety professionals with the resources and tools they need in a challenging legal environment. We will continue to maintain and improve our public infrastructure and facilities – assuring that every resident enjoys the quality of life that is the hallmark of our community.